

**FREQUENTLY ASKED QUESTIONS**  
**BANK INDONESIA REGULATION NUMBER 16/17/PBI/2014**  
**CONCERNING FOREIGN EXCHANGE TRANSACTIONS AGAINST RUPIAH**  
**BETWEEN BANKS AND FOREIGN PARTIES**

1. Q : **What are the background and the purpose of the issuance of Bank Indonesia Regulation (PBI) concerning Foreign Exchange Transactions against Rupiah between Banks and Foreign Parties?**

A : The issuance of this PBI constitutes a harmonization and improvement of several Bank Indonesia Regulations aims to provide clearer guidelines and flexibility for economic actors in performing foreign exchange transactions against Rupiah which is expected to enhance the deepening of domestic foreign exchange market. The improvements among others shall be implemented by rearranging underlying transaction, transaction settlement, and sanction arrangement upon violation of foreign exchange transactions against Rupiah between Banks and Foreign Parties. Regulation in this PBI elaborates several provisions concerning foreign exchange transactions against Rupiah between Banks and Foreign Parties that has been regulated previously in some topics of different conditions. This is done in order that the regulation on foreign exchange transactions against Rupiah between Banks and Foreign Parties becomes simpler so that it is easier to understand (user friendly), and the coverage of regulated substances becomes more comprehensive.

2. Q : **What is meant by Foreign Exchange Transactions against Rupiah?**

A : Foreign Exchange Transactions against Rupiah are transactions of purchase/sale of foreign currencies against Rupiah in the form of:

- a. spot transactions, including transactions performed with today's exchange rate and/or tomorrow's rate;
- b. standard (plain vanilla) derivative transactions of foreign exchange against Rupiah in the form of forward, swap, option, and other transactions equivalent thereto.

3. Q : **Who can be called Foreign Parties?**

- A : Foreign Parties are:
- a. foreign citizens;
  - b. foreign legal entities or other foreign institutions;
  - c. Indonesian citizens that have permanent resident status of other countries and are not domiciled in Indonesia;
  - d. Banks' offices in foreign countries from Banks with head offices in Indonesia;
  - e. Companies' offices in foreign countries from companies incorporated in Indonesia.
4. Q : **Are all foreign legal entities or foreign institutions having non-profit activities excluded from the definition of Foreign Parties?**
- A : Not all foreign legal entities or foreign institutions that have non-profit activities are excluded from Foreign Parties definition. Foreign legal entities or foreign institutions that have non-profit activities and excluded from the definition of Foreign Parties are ASEAN Secretary, World Bank and Asian Development Bank.
5. Q : **How is the regulation of underlying transactions for Foreign Exchange Transactions against Rupiah?**
- A : The type of underlying transactions is stipulated in Article 3 of this PBI, while the arrangement on the type of underlying transaction documents is contained in the Circular as the implementing provisions of this PBI.
6. Q : **Do Foreign Exchange Transactions against Rupiah above the threshold have to be performed based on the underlying transactions?**
- A : Yes. Foreign Exchange Transactions against Rupiah with a nominal value exceeding the threshold must be based on the Underlying Transactions.  
Not a mandatory. In the context of settlements of initial derivative transactions, foreign exchange transactions whose settlements done by netting do not have to be performed based on underlying transactions, since the obligation of underlying transaction has already been fulfilled in the initial derivative transaction.
7. Q : **What are the mechanisms of derivative transaction settlements that are allowed**

**to be performed by netting?**

- A : The settlements of derivative transactions that can be performed by netting include these following mechanisms:
- a. roll over, provided that the roll over not exceeding the term of the initial derivative transactions;
  - b. early termination; or
  - c. unwinding

8. Q : **Does the denomination of Foreign Exchange Transactions against Rupiah stipulated in this provision only cover US Dollar against Rupiah?**

- A : No. The foreign exchange transactions stipulated in this provision are not only in US Dollar denomination, but also all other foreign currencies' denominations against Rupiah calculated in US Dollar equivalent.

9. Q : **A Foreign Party has maturing Certificates of Bank Indonesia (SBI); the concerned party plans to redeem the SBI at maturity, and the Rupiah proceeds from the sale of SBI will be used to buy US Dollar. Is this allowed?**

- A : Yes. It can be performed as it is related to divestment activities of Foreign Parties. SBI cannot be the underlying for derivative transactions associated with investments of Foreign Parties in SBI. If the purchase of US Dollar is made through spot transactions with a purchase value more than USD100,000.00 (one hundred thousand US Dollar), the Foreign Parties must enclose underlying transaction documents and supporting documents.

10. Q : **What is the nominal threshold of Rupiah Transfer to Foreign Parties accounts that must be made based on underlying transactions?**

- A : Rupiah transfer to Foreign Parties accounts with the nominal value of above USD1,000,000.00 (one million US Dollar) equivalent per day per Foreign Party must be based on underlying transactions.

11. Q : **How is the arrangement related to term of derivative transactions performed with underlying transactions in the form of investment activities?**

- A : Term of derivative transactions shall be at a minimum of 1 week, calculated based on the transaction date of the derivative transactions up to the value date of the derivative transactions and at a maximum which equals to the term of investments. This is also applicable for the settlements of derivative transactions done by netting through roll over, early termination, and unwinding transactions.
12. Q : **When is the due date for receiving underlying transaction documents and/or supporting documents by banks for spot transactions?**
- A : Underlying transactions documents and/or supporting documents for spot transactions shall be received by banks on the transaction date and at the latest on the date of value.
13. Q : **When is the due date for receiving underlying transaction documents and/or supporting documents by banks for derivative transactions?**
- A : Underlying transactions documents and/or supporting documents for derivative transactions shall be received by banks on the transaction date and no later than 5 business days after the date of transaction. If the derivative transactions have underlying transactions in the form of goods and services trading activities, domestic and overseas, with a maturity date less than 5 business days after the date of transaction, the underlying transactions documents and/or supporting documents must be received by Banks no later than the maturity date.
14. Q : **How is the arrangement of sanctions in this PBI?**
- A : Banks that violates the regulation shall be imposed with an administrative sanction in the form of a written warning and a financial penalty of 1% (one percent) from the nominal value of the violated transaction for every violation, with a total financial penalty at a minimum of Rp10.000.000,00 (ten million Rupiah) and a maximum of Rp1.000.000.000,00 (one billion Rupiah).

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